



JETRO's Activities for Promoting Direct Investment in Japan

February 19, 2014

JETRO

日本貿易振興機構(ジェトロ)

What is JETRO?

JETRO: Japan External Trade Organization

- Government-related organization to promote mutual trade and investment between Japan and the rest of the world
- Established in 1958
- 73 offices worldwide, 39 domestic offices

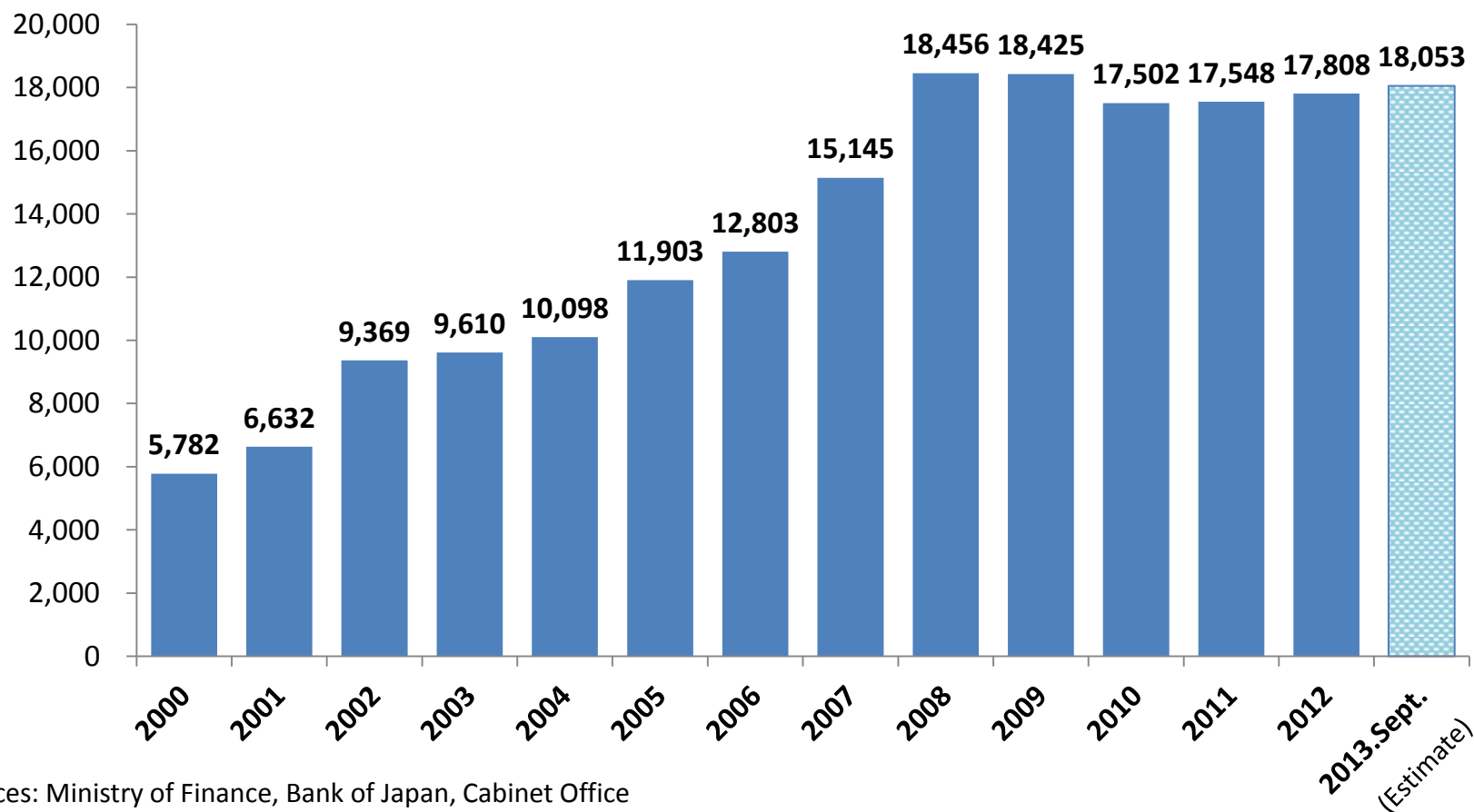
➤ Main activities:

1. Promoting foreign direct investment into Japan
2. Supporting the overseas business of Japanese firms
3. Facilitating economic growth in developing countries through trade promotion



Inward FDI into Japan, stock : 2000 – Sept. 2013

(Unit: billion JPY)



Sources: Ministry of Finance, Bank of Japan, Cabinet Office

Inward FDI in Japan, stock : 2012

Unit: 100 Million JPY

Europe

Europe ⇒ Japan 82,142

(Country / Region)	(Industry)
Netherlands 27,284	Finance & Insurance 21,337
France 15,566	Electric Machinery 18,915
UK 13,354	Transportation Equip. 13,448
Switzerland 11,661	Chem. & Pharm. 10,782
Germany 7,239	Wholesale & Retail 6,731
Luxemburg 2,547	Services 2,300
Sweden 903	Petroleum 1,329
Italy 830	General Machinery 1,056

North America

NA ⇒ Japan 54,838

(Country & Region)	
USA 53,308	
Canada 1,530	

(Industry)	
Finance & Insurance 32,793	
Wholesale & Retail 5,356	
Electric Machinery 3,287	

Asia

Asia ⇒ Japan 24,099

(Country / Region)	(Industry)
Singapore 13,278	Finance & Insurance 8,361
Hong Kong 4,976	Wholesale & Retail 2,889
Taiwan 2,170	Services 2,166
R. Korea 2,461	Real Estate 1,431
P.R. China 476	Communications 1,269
Malaysia 439	General Machinery 1,140

Central & South America

C&S America ⇒ Japan 15,387

(Country / Region)	
Cayman Is. 12,176	
Brazil 30	
(Industry)	
Finance & Insurance 7,340	
Petroleum 1,877	

Oceania

Oceania ⇒ Japan 1,336

(Country / Region)	
Australia 961	
New Zealand 358	

JAPAN

JETRO Invest Japan Business Support Center (IBSC)

JETRO IBSC is a one-stop center for establishing business base and starting your business in Japan.

Consulting

**Free individual consultation
for your company**

- Legal system
- Cost estimation
- Taxation
- Market regulation
- Business practice
- Human resource
- Location
- Subsidy application

Facilities

**Temporary office space
offered free of charge**

- Conference rooms / shared reception available
- PC room with printer/scanner etc.
- Event hall available
- 50 working days free
- Located in 6 major cities
- Fully equipped



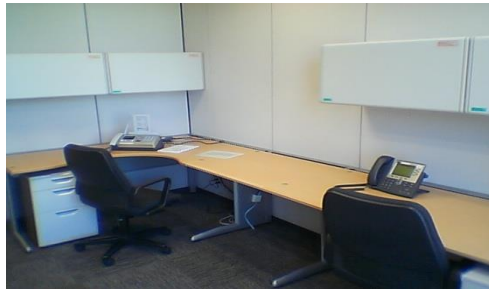
Information

**Gather a wide range of
information needed
for your business**

- Market reports
- Business advisor
- Online database
- Platform of professional service provider
- Connection to ministries and regulatory authority
- Deregulation Request

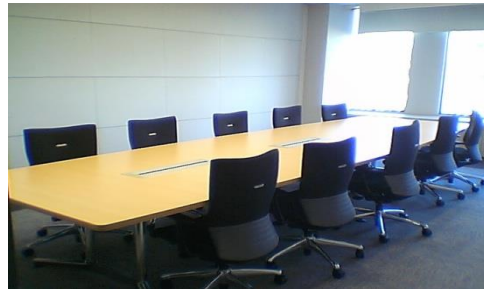
IBSC Tokyo incubation office services

- **Maximum period of use: 75 business days**
(free of charge up to 50 business days)
- **Office hours: 8:00 a.m. to 10:00 p.m.**
(excluding Saturdays, Sundays, and national holidays)
- **Desks, chairs, telephones, fax, internet connection**
(telephone / fax charges borne by tenant)
- **Receptionists, advisory service (on the Japanese market, industry, legal and accounting issues, human resources, etc.)**
(advisory service on appointment basis)



Private office space

- 13.5 m² (two-person office)
- 18.0 m² (three-person office)
- 36.0 m² (six-person office)



Conference room



Refreshment space

JETRO's activities in promoting foreign direct investment (FY2003-2012)

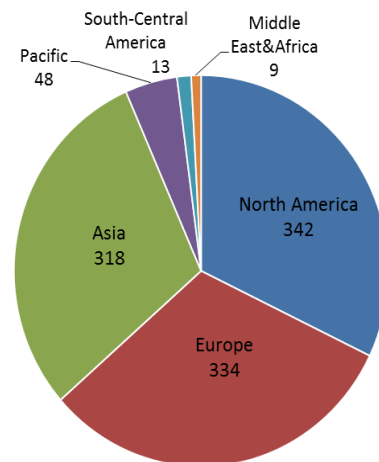
- ✓ Attracted approximately 1,000 foreign companies to Japan through the support of more than 10,000 projects.
- ✓ Entry from North America, Europe and Asia accounts for 30% each; top three countries are US, China and Germany.

○ Number of successful investment cases in Japan (only higher-ranking countries between FY2003 and 2012 are shown)

Total of 1,064 projects: North America: 342, Europe: 334, Asia: 318, other areas: 70

FY	Number of cases	Rank	Country	No. of cases	Rank	Country	No. of cases
2003	93	1	United States	318	11	Italy	28
2004	103	2	China	107	12	Canada	24
2005	110	3	Germany	98	13	India	21
2006	115	4	Republic of Korea	65	14	Netherlands	18
2007	125	5	United Kingdom	63	15	Switzerland	13
2008	123	6	France	51	15	Finland	13
2009	121	7	Australia	40	17	Belgium	8
2010	111	8	Singapore	34	17	Thailand	8
2011	69	9	Hong Kong	31	17	Spain	8
2012	94	10	Taiwan	30	20	Austria	7
Total	1,064						

○ Number and share of successful cases by region



Program name	Outline
The Act for Promotion of Japan as an Asian Business Center	The Japanese Government will take support measures for certified global companies, including tax breaks and patent fee reduction, in order to motivate them to locate their R&D facilities or regional headquarters in Japan.
Subsidy Program for Projects Promoting Asian Site Location in Japan	Subsidy program for establishment by global companies of R&D facilities or regional headquarters in Japan. Covers survey design costs, facility costs, equipment costs, and facility rental fee.
Comprehensive Special Zones	Incentives, including special regulatory measures and tax reduction, are available for companies with business plans in 7 designated zones: Hokkaido, Ibaraki, Tokyo, Kanagawa, Aichi/Gifu, Kyoto/Osaka/Hyogo, Fukuoka.
Special Zones for Reconstruction	Incentives, including special regulatory measures and tax reduction, are available for companies with business plans in the recovering areas stipulated in the Act on Special Provisions of Article 3 of the Public Finance Act.
Points-based Preferential Immigration Treatment for Highly Skilled Foreign Professionals	Under the points-based system, foreign professionals who earn 70 points or more will be recognized as "highly skilled foreign professionals" and will be given preferential immigration treatment. (* Personnel of selected companies for the <i>Subsidy Program for Projects Promoting Asian Site Location in Japan</i> are given 10 points.)

More details :

JETRO website (http://www.jetro.go.jp/en/invest/incentive_programs/)

Asian Business Location Promotion Project Subsidy-1

Japanese Government (METI)

Target

Internationally operating companies planning to establish:

1. Regional HQs to gather human resources excelling in management, engineering, etc.
2. R&D facilities with the potential to leverage Japan's manufacturing capacity for practical business

Costs covered by the subsidy

1. Survey design costs
2. Facility costs
3. Equipment costs
4. Facility lease fees

*For SMEs, the subsidy covers up to 1/2 of the costs

For companies in specially designated areas: up to 2/3

For other companies: up to 1/3



Review by the third party

Decision

Subsidy for initial investment of global companies locating in Japan

Selection criteria:

- Uniqueness
- Added value
- Ripple effects (expected accumulation effect of the project, etc.)
- Affluent experience in global business, etc.



Projects selected for the subsidy program for FY 2010 - 2013

Source: Press release by METI

FY	Company Name	Nationality	Type
FY 22	Salesforce.com Co., Ltd.	USA	R&D Site
	Zydus Pharma Japan Co., Ltd.	India	R&D Site
	Dyesol Japan Co., Ltd.	Australia	R&D Site
	Eurocopter Japan T&E Co., Ltd.	France	R&D Site
	Dou Yee International Private Limited	Singapore	R&D Site
FY 23	Sanofi-Aventis K.K.	France	Regional Headquarters
	3M Health Care Ltd.	USA	R&D Site
	DSM Japan Engineering Plastics K.K.	Netherlands	R&D Site
	Nihon Cabot Microelectronics K.K.	USA	R&D Site
	NeoPhotonics Japan, Godo Kaisha	USA	R&D Site
	Mikado Kyowa Seed Co., Ltd. (Subsidiary of Vilmorin & Cie S.A.)	France	R&D Site
	Medasys Japan K.K.	France	R&D Site
	Intelligent Energy Holdings Plc	U.K.	R&D Site
	Umicore N.V.	Belgium	R&D Site
	Volvo Technology AB	Sweden	R&D Site
FY 24	GE Japan Limited	USA	R&D Site
	Johnson & Johnson K.K.	USA	R&D Site
	Tenneco Japan Ltd.	USA	R&D Site
	Faurecia Japan K.K.	France	R&D Site
FY 25	BASF Japan, Ltd.	Germany	R&D Site
	Comverge Japan K.K.	USA	Head site / R&D site
	Nippon Busch K.K.	Germany	R&D Site
	Siemens Japan K.K.	Germany	R&D Site

The Act for Promotion of Japan as an Asian Business Center

Outline

- To attract R&D centers and Asian regional headquarters of global companies to Japan, the legislation gives incentives (e.g., reduced corporate tax burdens, lower patent fees) to certified companies.

Overview

1. Eligible operations

New R&D and headquarter operations conducted by global companies in Japan certified as conforming to the basic policy defined by the minister in charge.

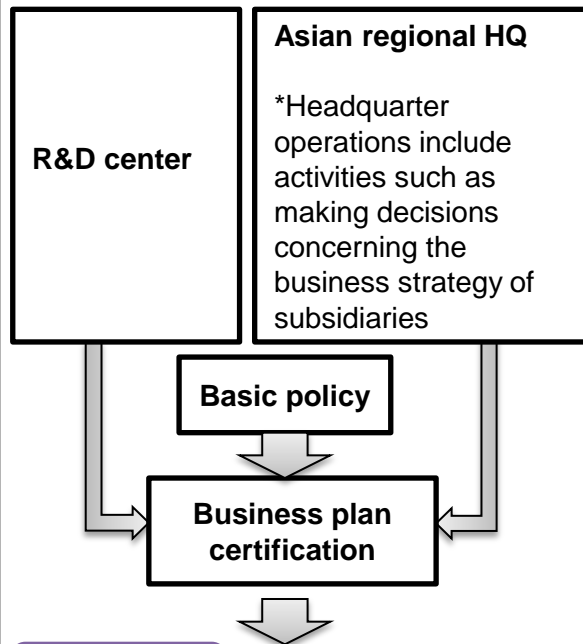
2. Incentives

- Preferential corporate tax: 20% income deduction up to 5 years
(Around 7% reduction in the effective tax rate)
- Preferential income tax: Same tax treatment for stock options from the foreign parent company as given to those from Japanese companies
- Reduced patent fees for SMEs: Reduced patent fees on the results of R&D operations
- Faster investment procedures: Shortening the required inactive period from the current 30 days to 2 weeks after application under the Foreign Exchange Act
- Financing support by SBICs

3. Certification requirements

- A company with one or more foreign affiliated companies
- Significant global operations
- Advanced knowledge and technology
- No affiliated companies can be currently engaged in R&D or RHQ activities in Japan
- A new company shall be established in Japan
- Employment of a certain number of employees or more
- The newly established company shall be solely engaged in R&D or RHQ activities (required only for the application of preferential tax treatment)

Target



Incentives

- Tax reductions (preferential corporate tax, etc.)
- Reduced patent fees for R&D centers

- Special Zones for Reconstruction are offering deregulation, simplified statutory procedures, tax breaks and financial incentives to accelerate reconstruction and investment
- 106 plans for Special Zones for Reconstruction have been approved in Aomori, Iwate, Miyagi, Fukushima, Ibaraki, Tochigi and Chiba Prefectures (As of January 31, 2014)

Regulations and procedures

- Special permits for development in exclusive zones
- Relaxed requirements for licensing to facilitate business for manufacturing/sales of medical equipment, etc.

Tax breaks

- Special depreciation/tax credits
- Tax credits equivalent to 10% of combined salaries and other expenses for employees from severely damaged areas
- Five-year corporate tax exemption for new enterprises, etc.

Financial and fiscal assistance

- Interest rate compensation for reconstruction projects, etc.

Source: Reconstruction Agency website
(<http://www.reconstruction.go.jp/english/topics/2013/03/special-zones-for-reconstruction.html>)

Tax benefits for the Special Zones for Reconstruction -1

(1) Tax benefits to help to create employment in the recovering areas

The following tax benefits are applicable for corporations in the “Special Zones for Reconstruction Industry Clusters*” designated by municipalities (hereinafter, “the designated corporations”), when their reconstruction promotion plans are approved by the Government.

* Areas determined by municipalities to be used to concentrate certain industrial sectors.

1) Special depreciation / tax deduction

Designated corporations are eligible for special depreciation or tax deduction when they acquire machines, installations, buildings, etc.

<u>Special depreciation</u>	To the end of March 2014	To the end of March 2016
Purchase of machinery and equipment	Immediate depreciation	50%
Acquisition of buildings and constructs	25%	



or

<u>Tax deduction</u>	To end of March 2014	To end of March 2016
Purchase of machinery and equipment	15%	
Acquisition of buildings and constructs	8%	

2) Special corporate tax credit

The designated corporations are eligible for tax credit equivalent to 10% of the combined amount of salaries and other payments for the employees from particularly affected areas.

3) Taxation to promote establishment of new business facilities

Corporations are exempt from corporate tax for five years when they re-invest in the “Special Zones for Reconstruction of Industry Clusters” and continue their business in the designated industry sectors.

Reserve funds for newly established corporations can be regarded as deductible expenses (to a maximum of their revenues for a five-year period)

+

Corporations are eligible for immediate depreciation if they make a re-investment, etc. (to a maximum of their balance of reserves for re-investments, etc.)

•The designated corporations are allowed to choose one from the arrangements 1), 2) and 3).

→continued to the next page

Tax benefits for the Special Zones for Reconstruction -2

Continued from the previous page→

(1) Tax benefits to help to create employment in the recovering areas

4) Tax incentives for R&D

Corporations are eligible for immediate depreciation if they acquire assets for research and development activities.

+

Corporations are eligible for tax credit equivalent to 12% (normally 8–10%) of the immediate depreciation expense of assets for research and development activities.

* This tax break also applies to the designated corporations.

(2) Exemption from local taxes / application of non-uniform tax rates

The designated corporations are also eligible for local tax exemption or reduced local tax rates for corporate enterprise tax, real estate acquisition tax and fixed asset tax in accordance with the provisions of relevant ordinances of local governments when the corporations acquire machines, buildings and other properties in the zones.

20 years of stagnation

○ Long-lasting economic stagnation and deflation

○ High level of public debt

<Annual average economic growth rate for 20 years until 2012>
(Average for 20 years)

Nominal GDP growth: - 0.2%

Real GDP growth: 0.8%

Real GNI growth: 0.6%

Source:

Basic Policies for Economic and Fiscal Management and Reform (decided at Cabinet meeting on June 14, 2013)

1st arrow:
Bold monetary policy

2nd arrow:
Flexible fiscal policy

3rd arrow:
Growth strategy
that promotes
private investment

A new decade of revival

○ Improved macroeconomic environment

○ Improvement in corporate profits

○ Revitalization of the economy
Fiscal consolidation

<Annual average economic growth rate for 10 years since 2013>
(Target of the government)

Nominal GDP growth: 3.0%

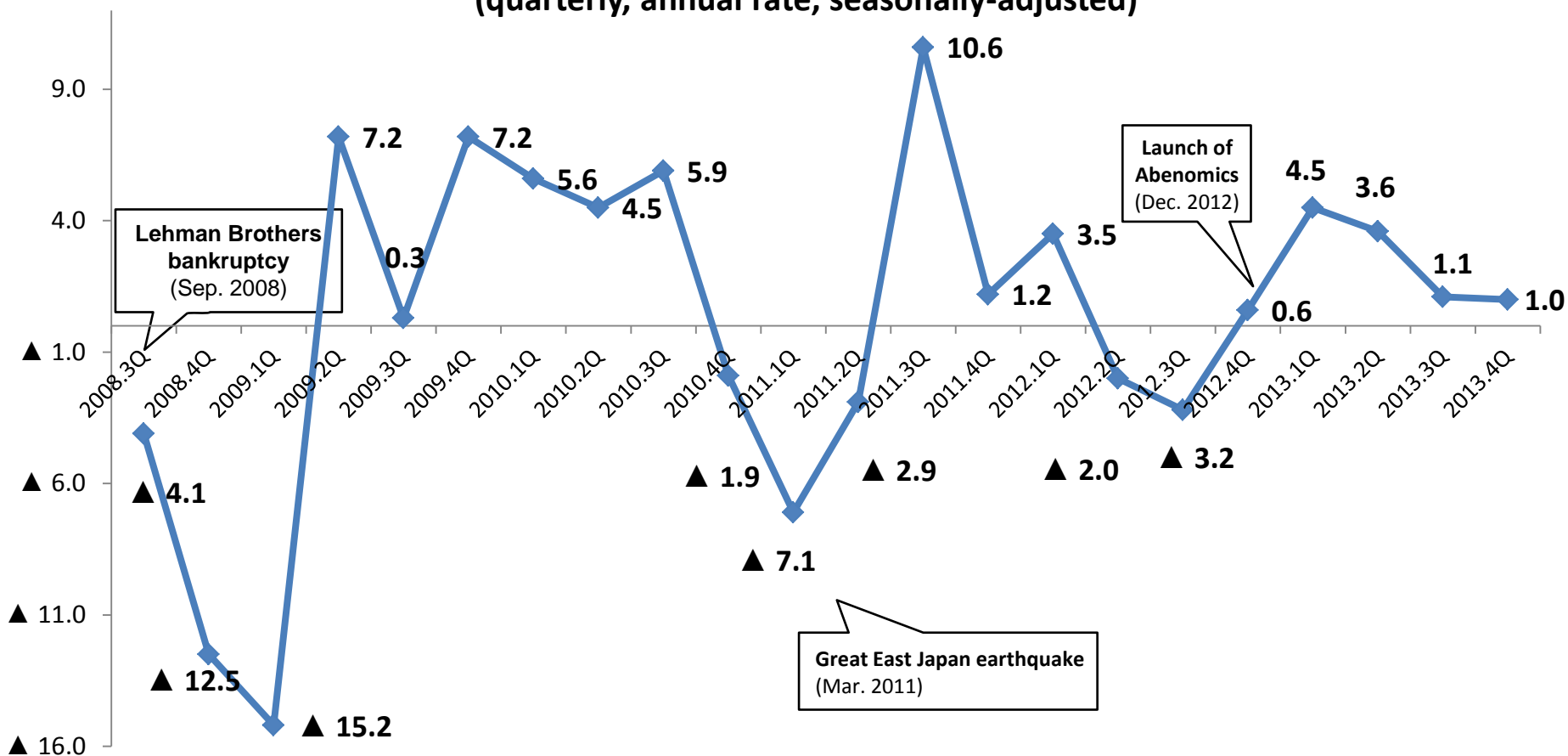
Real GDP growth: 2.0%

Real GNI growth: 3.0%

Source:
Same as
on the left

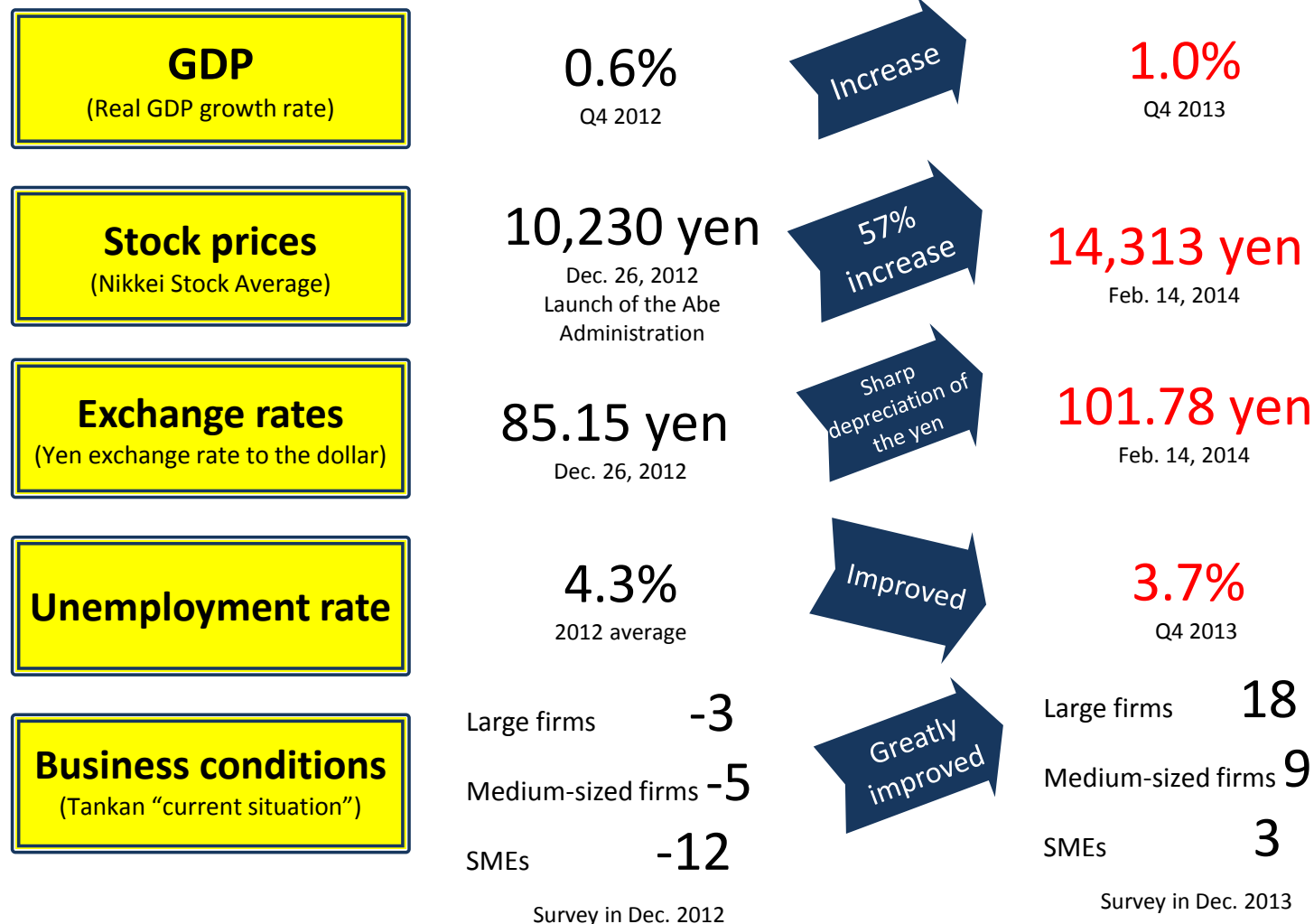
The Abe Administration is advancing this “three arrows” strategy as an integrated package and to an extent not seen in past policies.

Japan's real GDP growth rate (quarterly, annual rate, seasonally-adjusted)

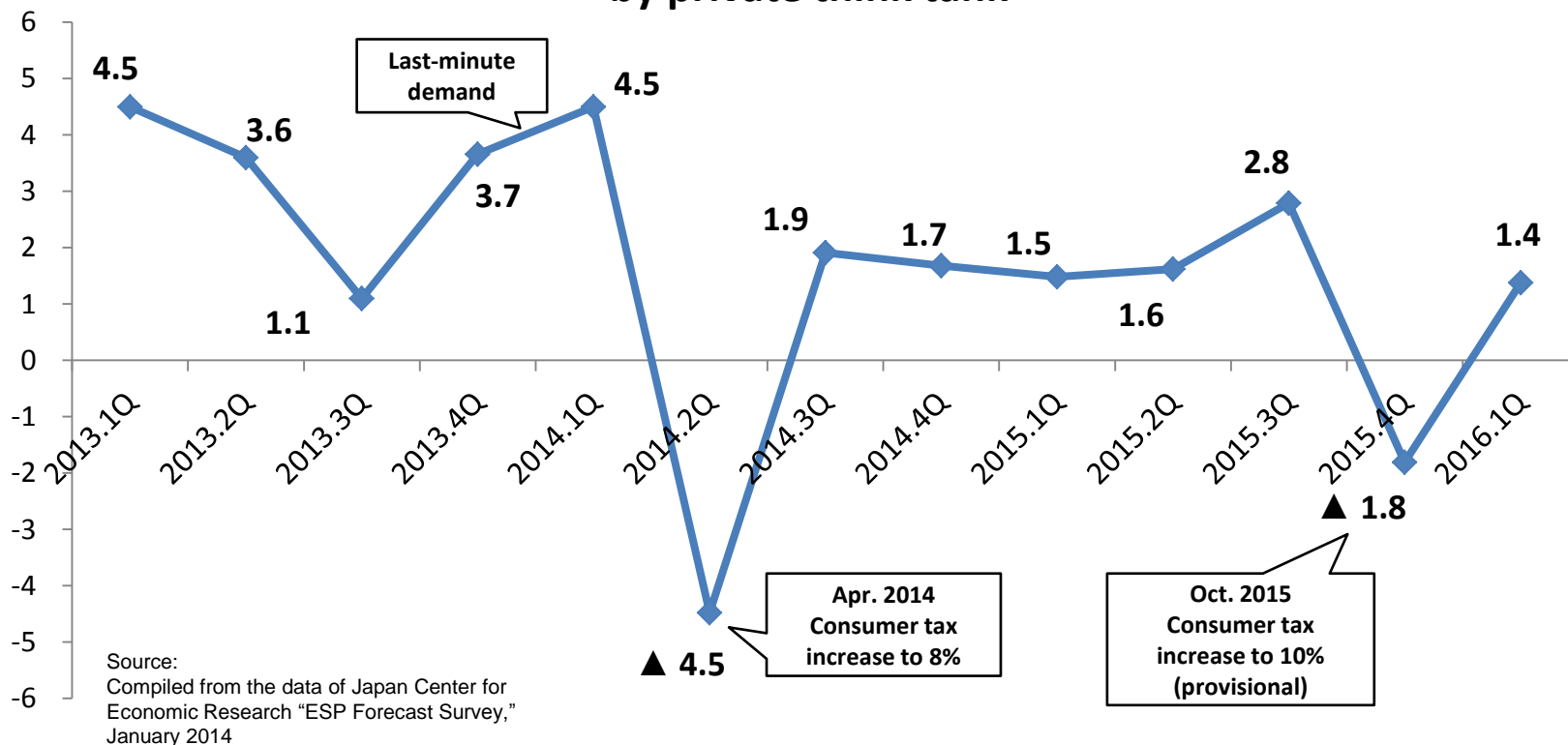


Source: Cabinet Office

"National Accounts of Japan (Quarterly Estimates of GDP)," December 9, 2013 Quarterly Estimates of GDP Oct.-Dec. 2013 (The First Preliminary), February 17, 2014



Estimated quarterly real GDP growth rate by private think tank



52% of major retailers estimate that the expected decline of sales after the consumer tax increase in April 2014 will be resolved within half a year.

(Nihon Keizai Shimbun Survey)

Japanese Government vows to attract 35 trillion yen in inward FDI by 2020

Drastically strengthening the government's support framework
for attracting foreign companies

- JETRO is strengthening its functional structure through the **employment of industry specialists** and enhancing support measures to identify and attract prospective foreign companies.
- JETRO is enhancing its comprehensive support framework for foreign companies to **give consultation regarding administrative procedures required for FDI into Japan and requests for regulatory reforms.**

(Japan Revitalization Strategy –JAPAN is BACK p138)

(http://www.kantei.go.jp/jp/singi/keizaisaisei/pdf/en_saikou_jpn_hon.pdf)



Consultation regarding investing in Japan and regulatory reform requests from foreign companies



Invest Japan Hotline



03-3582-4684



<http://www.jetro.go.jp/en/invest/hotline/>

Consultation regarding investing in Japan

JETRO will arrange meetings with the relevant authorities and provide comprehensive support.

Requests for regulatory reforms

JETRO will submit requests for regulatory reforms to the Cabinet Office and METI.



www.investjapan.org

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